
Report to Cabinet

Revenue Monitor and Capital Investment Programme 2021/22

Quarter 1 – June 2021

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance & Low Carbon

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23 August 2021

Reason for Decision

The report provides Cabinet with an update on the Council's 2021/22 forecast revenue budget position at Annex 1 and the financial position of the capital programme as at 30 June 2021 (Quarter 1) together with the revised capital programme 2021/22 to 2025/26, as outlined in section two of the report at Annex 2.

Executive Summary

Revenue Position

The current forecast outturn position for 2021/22 is a projected deficit variance of £0.585m after allowing for approved and pending transfers to and from reserves.

The position includes additional costs and pressures that have been identified by the Authority in this financial year as a direct result of the COVID-19 pandemic. The additional pressures include forecasts of both income shortfalls and additional expenditure that have impacted on the Authority's budgets.

The pandemic is continuing to affect nearly all aspects of Council service delivery; however, the most significant areas of concern are the People and Place, Children's Services and Community Health & Adult Social Care Portfolios. Action is being taken and will continue for the remainder of the financial year to address variances and take mitigating action as detailed in the report.

The overall corporate position is partly being offset by the application of £7.737m general COVID support received from MHCLG, of which £0.741m has been effectively ring-fenced

to Education, Skills and Early Years to support Home to School transport. The remaining £6.996m is available to mitigate against the £11.652m of costs identified as relating to the pandemic. In Appendix 1 to the report, the unringfenced Government grant is presented as a single sum so that it highlights the level of variation across all Council budgets, given that there is insufficient resource to offset the adverse variance. However, this summary report presents the position after applying the Government grant across Portfolio areas. As further General Fund grant is expected in respect of lost income for sales, fees and charges, both the overall financial position and the application of Government grant will therefore change during the course of the financial year. An update on the major issues driving the projections are detailed within Annex 1, Section 2.

As this financial monitoring report reflects the financial position at Quarter 1, it can be regarded as an early warning of the potential year end position if no action is taken to reduce net expenditure where possible. However, management action has been initiated across all service areas to review and challenge planned expenditure and to maximise income. Although, the effect of this action has yet to take full effect, it is anticipated that by the year end, the outturn deficit position should be reduced. This should start to be demonstrated in the update reports which are to be presented to Cabinet.

Information on the Quarter 1 position of the Dedicated Schools Grant (DSG), Housing Revenue Account (HRA) and Collection Fund is also outlined in the report. There are currently no significant issues of concern in relation to the HRA, however the Collection Fund, is forecasting an in-year deficit of £6.081m directly as a result of COVID-19. If not addressed before the end of the financial year this will have a budgetary impact in 2022/23. The DSG continues to be an area which is facing a financial challenge, albeit with a reduced projected deficit in 2021/22. Action is being taken with the aim of reducing the cumulative deficit and bringing the DSG towards a balanced position.

Capital Position

The report outlines the most up to date capital spending position for 2021/22 to 2025/26 for approved schemes. The revised capital programme budget for 2021/22 is £88.075m at the close of Quarter 1, a net increase of £2.073m from the original budget of £86.002m. Actual expenditure to 30 June 2020 was £4.791m (5.44% of the forecast outturn).

Without doubt the forecast position will continue to change throughout the year with additional re-profiling into future years.

Recommendations

That Cabinet approves the:

1. Forecast revenue outturn for 2021/22 at Quarter 1 being a £0.585m adverse variance having regard to the action being taken to manage expenditure
2. Forecast positions for both the Housing Revenue Account, Dedicated Schools Grant and Collection Fund
3. Use of reserves as detailed in Appendix 1 to Annex 1
4. Revised capital programme for 2021/2026 as at Quarter 1.

Revenue Monitor and Capital Investment Programme 2021/22 Quarter 1 – June 2021**1 Background**

- 1.1 The Authority's 2021/22 revenue budget and capital programme was approved by Council on 4 March 2021. Under established budget procedures, all services are required to monitor and review their approved revenue and capital budgets during the financial year. This will be reported to Cabinet on a quarterly basis with an additional report at month 8 which is used to inform the budget setting process for the following financial year.
- 1.2 As part of the budget monitoring process, the forecast year-end position for revenue and capital has been prepared by all services as follows:
- a) The revenue forecast is based on a comparison of profiled budgets to the actual position as at the end of Quarter 1 together with known commitments, issues and planned management actions. Due to the requirement to report to the Ministry of Housing, Communities and Local Government (MHCLG) about the financial pressures relating to COVID-19, forecasts for Quarter 1 have been based upon the Round 14 MHCLG return which was submitted on 25 June 2021.
 - b) The capital programme forecast has been based on notified revisions to the approved 2021/22 position including the final 2020/21 outturn, new grant, an initial rephasing of the approved capital programme including an assessment of the impact of COVID 19.
- 1.3 As the year progresses the outturn projections reflect the evolving position of management actions put in place to mitigate in-year pressures, new developments and changes in the profile of planned expenditure and of course any additional support that the Government may give with regard to additional funding to address the financial challenge created as a result of the pandemic.

2. Current position

- 2.1 The forecast revenue outturn for 2021/22 is an adverse variance of £0.585m. Further details of the current revenue budget position and a full description of the forecast can be found in Annex 1. The pressures relating to COVID-19 total £11.652m, this reduces to £4.656m with the application of the £6.996m unringfenced Government COVID related grant funding received to date. Offsetting the COVID related pressure is a net 'business as usual' underspend of £4.071m, within which it should be noted are areas of forecast overspending, primarily in Community Health and Adult Social Services (£0.908m) and Children's Services (£1.072m).
- 2.2 The total Portfolio variances amount to a pressure of £0.585m as detailed in Annex 1 at Tables 2 and 3. As advised above, this consists of a COVID related pressure of £4.656m and an operational underspend of £4.071m. This is comprised of People and Place reporting an adverse variance of £0.807m (£0.803m COVID related), Community Health and Adult Social Care reporting a pressure of £8.169m (£7.261m COVID related) and Children's Services reporting an adverse variance of £4.257m (£3.185m COVID related). There is a further adverse variance of £0.226m (£0.021m COVID related) within Commissioning. There are favourable variances of £1.139m

within Reform, including a COVID related pressure of £0.242m and also £0.078m within Chief Executive, again including a £0.140m COVID pressure. Capital, Treasury and Corporate Accounting is reporting a favourable, operational variance of £4.661m. This highlights the continuing impact of COVID related pressures across all areas of the Council. It should, however, be noted that at this stage in the financial year, £1.308m of approved 2021/22 budget reductions are forecast not to be delivered. All are within Community Health and Adult Social Care and this variance is included within the overall Directorate forecast.

- 2.3 However, taking an approach to allocating the grant so far received against the COVID costs incurred and using the information in Tables 2 and 3 of Annex 1, the table below shows the net impact across all Portfolio areas.

Portfolio Area	Gross Costs - COVID-19 Response £000	Apportionment Grant Funding (MHCLG) £000	COVID Costs Net of Funding £000	Business as Usual Pressure £000	Total Net Pressure £000
People and Place	803	(482)	321	4	325
Community Health and Adult Social Care	7,261	(4,360)	2,901	908	3,809
Children's Services	3,185	(1,912)	1,273	1,072	2,345
Communities and Reform	242	(145)	97	(1,381)	(1,284)
Commissioning	21	(13)	8	205	213
Chief Executive	140	(84)	56	(218)	(162)
Capital, Treasury and Corporate Accounting	-	-	-	(4,661)	(4,661)
Total	11,652	(6,996)	4,656	(4,071)	585

- 2.4 The projected net adverse variance is of concern and as a result, management action has been initiated across all service areas to review and challenge planned expenditure and to maximise income. Robust measures are required to further address and mitigate the impact of COVID-19 on all the Council services.
- 2.5 Whilst the current forecast is for a small adverse variance of £0.585m there is potential mitigation with the submission to the Government of return for compensation for lost Sales Fees and Charges for the first quarter of the financial year. As the guidance for the grant claim has not been issued by Government, no estimate of the grant to be received has been included in the current predictions.
- 2.6 There remains a high degree of estimation in relation to the impact of COVID-19; whilst the vaccination programme continues apace and restrictions were eased on 19 July 2021, this is set against increases in the rate of infection and hospital admissions. The forecasting of the likely impact of the pandemic on the Council's budget is based on both the actual expenditure and the income loss recorded to date but also relies on a series of assumptions which are both unpredictable and constantly changing. Future reports will advise of the progress of mitigating factors and management actions to control and reduce the forecast deficit.
- 2.7 As this financial monitoring report reflects the financial position at Quarter 1, it can be regarded as an indication of the position if continued corrective action is not pursued, particularly on those activities that are not related to the COVID response. It is evident

that there is time for the financial position to improve and move to at least a balanced position and this should start to be demonstrated in over the financial year. It is also anticipated that the additional funding mentioned in para 2.5 will help to reduce the deficit once the relevant guidance and instructions have been received from Government.

2.8 The original approved capital programme for 2021/22 totalled £86.002m. The revised capital programme as at Quarter 1 taking account of approved carry forwards, approved new funding, new schemes and variations and proposed variations/ re-phasing gives projected revised expenditure of £88.075m. Actual expenditure at Quarter 1 was £4.791m (5.44% of the forecast outturn). Further details of expenditure and schemes within the capital programme can be found in Annex 2.

2.9 The Annual Review of the capital programme will be taking place during the summer months. This is likely to lead to further reprofiling of planned expenditure and the realignment capital resources between schemes.

3 Options/Alternatives

3.1 The options that Cabinet might consider in relation to the contents of this report are;

- a) to approve the forecast revenue and capital positions presented in the report including proposed changes
- b) to approve some of the forecasts and changes included in the report
- c) not to approve any of the forecasts and changes included in the report

4 Preferred Option

4.1 The preferred option is that Cabinet approves all forecasts and changes within this report; option (a) at 3.1.

5 Consultation

5.1 Consultation with the services within the Council and the Director of Finance.

6 Financial Implications

6.1 The full financial implications are detailed in the report.

7 Legal Services Comments

7.1 There are no legal issues at this time.

8 Co-operative Agenda

8.1 Improving the quality and timeliness of the financial information available to citizens of Oldham supports the co-operative ethos of the Council.

8.2 The revenue budget and capital strategy/ programme have been prepared so that they embrace the Council's co-operative agenda with resources being directed towards projects that enhance the aims, objectives and co-operative ethos of the Council. Ongoing budget monitoring is key to ensuring this objective is met.

9 Human Resources Comments

9.1 There are no Human Resource implications.

10 Risk Assessments

10.1 The risk is that the proposed management actions are not achieved in full. Should this be the case then alternatives will be sought and implemented.

11 IT Implications

11.1 There are no IT implications.

12 Property Implications

12.1 There are no Property implications.

13 Procurement Implications

13.1 There are no Procurement implications.

14 Environmental and Health & Safety Implications

14.1 There are no Environmental and Health and Safety implications.

15 Equality, Community Cohesion and Crime Implications

15.1 There are no Equality, Community Cohesion and Crime implications.

16 Implications for Children and Young People

16.1 There are no direct implications for Children and Young People

17 Equality Impact Assessment Completed

17.1 Not Applicable.

18 Key Decision

18.1 Yes

19 Key Decision Reference

19.1 FCL-07-21

20 Background Papers

20.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Revenue Background Papers are contained in Annex 1 including Appendices 1, 2, 3 and 4
Officer Name: Andy Cooper
Contact : 0161 770 4925 (andy.cooper@oldham.gov.uk)

File Ref: Capital Background Papers are contained in Annex 2 including Appendices A to G
Officer Name: Lee Walsh
Contact No: 0161 770 6608 (lee.walsh@oldham.gov.uk)

21 Appendices

Annex 1 Revenue Budget Monitoring Report 2021/22 Quarter 1 - June 2021

Appendix 1 Planned Transfers to and from Reserves at Quarter 1
Appendix 2 Financing of the 2021/22 Revenue Budget at Quarter 1
Appendix 3 Ringfenced COVID grants at 2021/22
Appendix 4 Budget Reduction Summary 2021/22

Annex 2 Capital Investment Programme Report 2021/22 Quarter 1 – June 2021

Appendix A SUMMARY – Quarter 1 - Corporate Services
Appendix B SUMMARY – Quarter 1 - Children's Services
Appendix C SUMMARY – Quarter 1 - Communities and Reform
Appendix D SUMMARY – Quarter 1 - Community Health & Adult Social Care
Appendix E SUMMARY – Quarter 1 - Housing Revenue Account (HRA)
Appendix F SUMMARY – Quarter 1 - People and Place
Appendix G SUMMARY – Quarter 1 - Proposed Variations